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February 24, 2004

The Honorable Bruce Duke
Executive Director
Public Service Commission of South Carolina
Post Office Drawer 11649
Columbia, South Carolina 29211

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SC PUBLIC SERVICE
COMMISSION

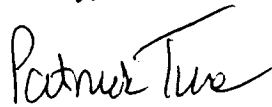
Re: Proceeding to Establish Guidelines for an Intrastate Universal Service Fund
Docket No. 97-239-C

Dear Mr. Duke:

Enclosed for filing are an original and fifteen copies of BellSouth's Response to ITC^DeltaCom Communications, Inc.'s Second Set of Interrogatories and Requests to Produce in the above-captioned matter. These Responses are being filed and served pursuant to an extension of the original due date that was granted by counsel for DeltaCom.

By copy of this letter, I am serving all parties of record with a copy of this document as indicated on the attached Certificate of Service.

Sincerely,



Patrick W. Turner

PWT/nml
Enclosure
cc: All Parties of Record
PC Docs # 528029

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 97-239-C

IN RE:

Proceeding to Establish Guidelines for an)
Intrastate Universal Service Fund)
_____)

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COMMISSION

**BELLSOUTH'S RESPONSE TO DELTACOM'S
SECOND SET OF INTERROGATORIES AND REQUESTS TO PRODUCE**

BellSouth Telecommunications, Inc. ("BellSouth") respectfully submits the following Responses to the Second Set of Interrogatories and Requests to Produce that ITC^DeltaCom Communications, Inc. ("DeltaCom") served on BellSouth on or about February 6, 2004.

GENERAL OBJECTIONS

1. BellSouth objects to each Interrogatory and Request for Production to the extent it seeks to impose an obligation on BellSouth to respond on behalf of subsidiaries, affiliates, or other persons that are not parties to this proceeding on the grounds that such interrogatories and requests for production are overly broad, unduly burdensome, oppressive, and not permitted by applicable discovery rules. BellSouth will not be responding to discovery that seeks information from parent and affiliate companies.

2. BellSouth objects to the each Interrogatory and Request for Production to the extent it is intended to apply to matters other than those subject to the jurisdiction of the Public Service Commission of South Carolina ("the Commission"). BellSouth objects to such Interrogatories as being irrelevant, overly broad, unduly burdensome, and oppressive.

3. BellSouth objects to each Interrogatory and Request for Production to the extent that it calls for information that is exempt from discovery by virtue of the attorney-client privilege, work product privilege, or other applicable privilege.

4. BellSouth objects to each Interrogatory and Request for Production to the extent that it seeks to impose obligations on BellSouth that exceed the requirements of the South Carolina Rules of Civil Procedure, the Commission's rules and regulations, or other South Carolina law.

5. BellSouth is a large corporation with employees located in many different locations in South Carolina and in other states. In the course of its business, BellSouth creates countless documents that are not subject to Commission or FCC retention of records requirements. These documents are kept in numerous locations that are frequently moved from site to site as employees change jobs or as the business is reorganized. Therefore, it is possible that not every document has been identified in response to these requests. BellSouth will conduct a search of those files that are reasonably expected to contain the requested information. To the extent that the requests purport to require more, BellSouth objects on the grounds that compliance would impose an undue burden or expense.

6. BellSouth objects to each Interrogatory and Request for Production that seeks to obtain "all" of particular documents, items, or information to the extent that such requests are overly broad and unduly burdensome. Any answers provided by BellSouth in response to this discovery will be provided subject to, and without waiver of, the foregoing objection.

SPECIFIC RESPONSES

Without waiving any of the foregoing general objections, BellSouth responds to DeltaCom's Interrogatories and Requests for Production as follows:

REQUEST: Of the \$54.58 million received by BellSouth from the state Universal Service Fund, describe how these dollars have been used. For example, describe what infrastructure in South Carolina has been built as a result of these funds.

RESPONSE: BellSouth objects to this Interrogatory on the grounds that it seeks information that is not relevant to the subject matter of this proceeding and that the information sought does not appear reasonably calculated to lead to the discovery of admissible evidence. As demonstrated by the prefiled testimony of BellSouth's witnesses in this proceeding, BellSouth's tariff filing complies with the requirements set forth in the Commission's Orders, Guidelines, and Administrative Procedures addressing the State USF, and none of those requirements address the subject matter of this Interrogatory. Subject to and without waiving this objection, the amounts BellSouth receives from the state universal service fund ("State USF") are not earmarked and are used in the same manner as revenue BellSouth receives from the sale of its services in South Carolina.

RESPONSE PROVIDED BY: Kathy Blake - Director
Rm. 36M66
675 W Peachtree St NW
Atlanta, GA 30375

REQUEST: Of the \$54.58 million, describe what percentage has been used or invested, if any, outside the state of South Carolina.

RESPONSE: See Response to Item No. 1.

RESPONSE PROVIDED BY: Rufus Moore - Manager
Rm. 17M61
675 W Peachtree St NW
Atlanta, GA 30375

REQUEST: Of the \$54.58 million, describe the specific benefits South Carolina citizens received.

RESPONSE: BellSouth objects to this interrogatory on the grounds that it is vague and that responding to it would be unduly burdensome. Without waiving this objection, the benefits received by South Carolina citizens include, without limitation, the following.

South Carolina citizens continue to have access to basic local exchange telephone service at affordable rates, including without limitation access to the maximum available federal Lifeline and Linkup credits.

Citizens living in rural areas in particular benefit from the funding provided by the State USF. The implicit subsidies that traditionally supported universal service prior to the advent to competition cannot be sustained in a competitive marketplace. Competitors, like DeltaCom, who have no obligation to serve all residents in the market naturally target those customers who are charged above-cost rates or who provide a greater than average amount of revenues, and they typically undercut those rates. As a result, incumbent local exchange carriers are forced to either lower their above-cost rates to meet competition or simply lose the high margin customers that traditionally have supported universal service. Absent implementation of the State USF, the incumbents would lose the source of funding that supports universal service. Ultimately, because only the low margin customers would be left to cover the full cost of the network, prices for those predominantly high cost customers would have to increase, thus jeopardizing the availability of universal service in this State. The State USF, therefore, protects universal service in the face of new entrant competitors who show little or no interest in serving high-cost rural customers.

Moreover, citizens throughout the State benefit from the fact that the State USF creates at least some semblance of competitive balance. The implicit support for universal service becomes explicit. All competitors should then be able to compete based upon a more equal basis of actual cost without only the incumbent local exchange carriers being burdened with an artificially inflated price structure for certain services. As a result, all carriers, not just the ILECs, become responsible for providing universal support through the equal funding of the State USF, and this ensures that all telecommunications carriers contribute to the support of universal service in South Carolina as required by S.C. Code Ann. §58-9-280(E)(2) and Sections 254(f) and 254(b)(4) of the federal Telecommunications Act of 1996. Additionally, any telecommunications carrier that assumes the obligations of a carrier of last resort is eligible to receive support from the State USF.

Additionally, the vast majority of BellSouth's withdrawal from the State USF offsets reductions to BellSouth's intrastate switched access charges. South Carolina citizens have benefited from these reductions as a result of the Commission's order that interexchange carriers flow through their savings from lower access rates to their customers in the form of lower long distance rates.

RESPONSE PROVIDED BY: Kathy Blake - Director
Rm. 36M66
675 W Peachtree St NW
Atlanta, GA 30375

REQUEST: Describe the criteria BellSouth will use in deciding whether it will seek additional withdrawals from the state USF in 2004.

RESPONSE: BellSouth objects to this Interrogatory on the grounds that it is vague, it is overly broad, and it calls for speculation. Without waiving this objection, withdrawal determinations are made on a case-by-case basis.

RESPONSE PROVIDED BY: Kathy Blake - Director
Rm. 36M66
675 W Peachtree St NW
Atlanta, GA 30375

REQUEST: In response to ITC DeltaCom's Interrogatory No. 3 in its First Set of Interrogatories, BellSouth responded "it has, on occasion, provided the requested information to members of the Commission's non-advisory staff." Specifically,

- a) what members of the Public Service Commission non-advisory staff asked for information?
- b) on what dates did such members of the Commission staff request such information?
- c) who at BellSouth responded to the request?
- d) on what dates did BellSouth respond to the Commission's request?

RESPONSE: BellSouth objects to this Interrogatory on the grounds that it seeks information that is not relevant to the subject matter of this proceeding, that the information sought does not appear reasonably calculated to lead to the discovery of admissible evidence, and that responding to the request would be unduly burdensome. Subject to and without waiving this objection, BellSouth responds as follows.

In late 2001, one or more Staff members contacted Jim Thompson of BellSouth to compare the actual amount of the USF surcharge that had been calculated to the initial estimated amount of the USF surcharge.

After BellSouth provided revenue information in response to the annual USF data request from the Staff in 2001 and in 2002, the Staff called BellSouth with general questions about the relationship, if any, between the information in the Annual Report BellSouth filed with the Commission and information BellSouth provided in response to the annual USF data request from the PSC. Bill Blume and/or members of the audit staff at the time were involved in these conversations, as were Jim Thompson and Rufus Moore of BellSouth.

Additionally, Tom Ellison and Barbara Crawford of the Commission's Staff contacted BST in January 2004 with general questions about the relationship, if any, between UNE cost studies and BellSouth's accounting records. Rufus Moore spoke to Mr. Ellison and Ms. Crawford in January 2004.

RESPONSE PROVIDED BY: Rufus Moore - Manager
Rm. 17M61
675 W Peachtree St NW
Atlanta, GA 30375

Jim Thompson - Director
Rm 5540
1600 Williams St
Columbia, SC 29201

REQUEST: In terms of this proceeding, did any members of the Public Service Commission staff request information concerning BellSouth's request for an additional withdrawal of the approximate \$8 million?

- a) If so, who made the request and on what dates?
- b) If so, who at BellSouth responded to the requests?
- c) If so, what information pertaining to this request was provided by the Public Service Commission staff?

RESPONSE: BellSouth objects to this Interrogatory on the grounds that it seeks information that is not relevant to the subject matter of this proceeding, that the information sought does not appear reasonably calculated to lead to the discovery of admissible evidence, and that responding to the request would be unduly burdensome. Subject to and without waiving this objection, please see BellSouth's response to DeltaCom's Second Set of Interrogatories, Item No. 5, above. No information pertaining to any of these requests was provided by the Public Service Commission staff.

RESPONSE PROVIDED BY Rufus Moore - Manager
Rm. 17M61
675 W Peachtree St NW
Atlanta, GA 30375

Jim Thompson - Director
Rm 5540
1600 Williams St
Columbia, SC 29201

REQUEST: Did any of these "verbal" communications occur after this matter was docketed?
If so, when?

RESPONSE: BellSouth objects to this Interrogatory on the grounds that it seeks information that is not relevant to the subject matter of this proceeding, that the information sought does not appear reasonably calculated to lead to the discovery of admissible evidence, and that responding to the request would be unduly burdensome. BellSouth further objects to this interrogatory on the grounds that it is not clear what "this matter" means. Without waiving these objections, please see BellSouth's response to DeltaCom's Second Set of Interrogatories, Item No. 5, above.

RESPONSE PROVIDED BY: Jim Thompson - Director
Rm. 5540
1600 Williams St
Columbia, SC 29201

REQUEST: Why did BellSouth provide the information "verbally" rather than in writing?

RESPONSE: BellSouth objects to this Interrogatory to the extent that it mischaracterizes BellSouth's responses to DeltaCom's first set of interrogatories. Without waiving this objection, please see BellSouth's response to DeltaCom's Second Set of Interrogatories, Item No. 5, above. These requests were conveyed to BellSouth verbally, and BellSouth responded verbally.

RESPONSE PROVIDED BY: Jim Thompson - Director
Rm. 5540
1600 Williams St
Columbia, SC 29201

REQUEST: If BellSouth conducted an audit or allowed other entities to audit its use of the state USF, would it have been more likely that BellSouth would have detected the actual annual amount it recovers from the USF today?

RESPONSE: No. BellSouth is aware of the actual amount it recovers from the State USF today. The persons most knowledgeable of these amounts (and who would be most knowledgeable of any such audit results) were unavailable at the time that BellSouth's pre-filed testimony was filed due to holiday schedules and/or family emergencies.

RESPONSE PROVIDED BY: Kathy Blake
Rm. 36M66
675 W Peachtree St NW
Atlanta, GA 30375

REQUEST: In the Supplemental Direct Testimony of Kathy K. Blake, she states "in preparing her pre-filed direct testimony, she relied on testimony from June 5, 2000 and PSC Order No. 2001-419." Did Ms. Blake only rely on these two data items in preparing her testimony? If not, what other information did Ms. Blake use in developing her pre-filed testimony?

RESPONSE: BellSouth objects to this interrogatory to the extent that it seeks information that is protected from discovery by the attorney-client privilege and/or the work product doctrine. Subject to and without waiving this objection, Ms. Blake used information from the following documents in developing her pre-filed testimony:

- SCPSC Order No. 2001-996, dated October 10, 2001
- BellSouth's September 2, 2003 Filing Package
- Pre-filed Testimony of BellSouth witnesses McKnight and Matejick, filed December 31, 2003
- SCPSC Order No. 2003-221, dated April 7, 2003
- SCPSC Order No. 2003-423, dated June 19, 2003
- SC Statutes - Section 58-9-280; Section 58-9-10
- SCPSC Order No. 97-753, dated September 3, 1997
- SCPSC Order No. 97-942, dated December 31, 1997
- SCPSC Order No. 98-201, dated March 17, 1998
- SCPSC Order No. 98-322, dated May 6, 1998
- SCPSC Order No. 97-958, dated November 24, 1997
- SCPSC Order No. 2001-1088, dated November 30, 2001

RESPONSE PROVIDED BY: Kathy Blake - Director
Rm. 36M66
675 W Peachtree St NW
Atlanta, GA 30375

REQUEST: Provide a copy of any documents identified in response to the Interrogatories.

RESPONSE: BellSouth objects to this Request to the extent that the documents identified in BellSouth's responses to DeltaCom's Second Set of Interrogatories are public records that are as available to DeltaCom as they are to BellSouth.

RESPONSE PROVIDED BY:

Rufus Moore - Manager
Rm. 17M61
675 W Peachtree St NW
Atlanta, GA 30375

Kathy Blake - Director
Rm. 36M66
675 W Peachtree St NW
Atlanta, GA 30375

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 97-239-C

IN RE: Proceeding to Establish Guidelines)
for an Intrastate Universal Service Fund)
_____)

CERTIFICATE OF SERVICE

This is to certify that the undersigned, Nyla M. Laney, is employed by the Legal Department for BellSouth Telecommunications, Inc. and that she has caused BellSouth Telecommunications, Inc.'s Response to ITC^DeltaCom's Second Set of Interrogatories and Requests to Produce in the foregoing matter to be served upon the persons named below this 24th day of February, 2004, by placing copies of same in the United States Mail, postage prepaid, addressed as follows:

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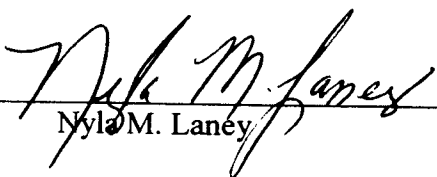
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Nyla M. Laney